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ABSTRACT

This report analyzes recent Census data on poverty and income for 1986. While the poverty rate declined slightly in 1986, it remained at an unusually high level for the fourth year of an economic recovery, and minority poverty rates remain far higher than those of the general population. The poor grew poorer in 1986, and the gap between rich and poor families--and between rich and middle class families as well--reached its widest point in at least 40 years. The data show that 13.6 percent of Americans were poor in 1986, a modest improvement over the 14 percent poverty rate for 1985. However, the 1986 poverty rate was higher than that for 1977 and 1980, although unemployment was at nearly identical levels in all three years. Some 41.5 percent of all poor people aged 15 and over worked in 1986, equal to the highest percentage since 1968. While poverty among children edged down from 1985 to 1986, it remains far above the levels of the 1970s. Poverty rates remain particularly high for minority children. The poverty rate for the elderly was 12.4 percent in 1986, the same level as in 1984 and marginally below the 12.6 percent of 1985. The 1986 Black poverty rate was slightly lower than that in 1985, but the number of Blacks living in poverty increased. The Hispanic poverty rate showed a more significant decline from 1985, but this masks the longer trend in which Hispanic poverty rates have been rising. Poverty measures that include the value of non-cash benefits demonstrate that poverty has risen much faster in recent years than the official measure of poverty indicate. Eight graphs and tables are included. (KH)

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POOR GROW POORER.

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GAP BETWEEN RICH AND POOR WIDEST EVER RECORDED

POOR GROW POORER

New Census data show that while the poverty rate declined slightly in 1986, it remained at an unusually high level for the fourth year of an economic recovery and that the poor grew poorer last year, according to an analysis by the Center on Budget and Policy Priorities.

The data also show that the gap between rich and poor families -- and between rich and middle class families as well -- reached its widest point in at least 40 years.

The Census data released on July 30 show that 13.6 percent of Americans were poor in 1986, a modest improvement over the 14 percent poverty rate for 1985. However, the 1986 poverty rate was higher than the poverty rates for 1977 and 1980, despite the fact that unemployment was at nearly identical levels in all three years.

In 1986, 32.4 million people lived below the poverty line (which was $11,203 for a family of four in 1986), down from 33.1 million the year before. However, in 1977 nearly eight million fewer Americans (24.7 million) were poor, and the poverty rate stood at 11.6 percent. In 1980, three million fewer Americans were poor (29.3 million), and the poverty rate was 13 percent.*

"Poverty rates drop during economic recoveries and rise during recessions," Center Director Robert Greenstein observed. "What is disturbing here is that poverty has remained so high four years into an economic recovery. When the next recession comes, we are likely to enter it with a poverty rate that is already high and will climb much higher."

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*Another possible basis of comparison is to compare poverty data for 1986 to poverty data for 1978, both of which were the fourth years of economic recoveries. In 1978, the poverty rate was 11.4 percent and 24.5 million Americans lived in poverty, some eight million fewer than in 1986.

The Poor Grow Poorer

Families who were poor fell deeper into poverty. The "poverty gap" -- the amount by which the incomes of the poor fell below the poverty line -- *rose* in 1986 even though the poverty rate fell. It reached $49.2 billion in 1986, up from $48.7 billion in 1985, $39.5 billion in 1980, and $32.1 billion in 1977 (all these figures are constant 1986 dollars, i.e., they are adjusted for inflation and represent purchasing power in 1986 dollars). The poverty gap was larger last year than in any other year since 1961, except for 1983 when unemployment averaged 9.6 percent.

The new Census data also show that poor families had incomes that fell an average of $4,394 below the poverty line in 1986. Poor families now fall further below the poverty line than at any other time since 1963, with the sole exception of the recession and high unemployment years of 1982 and 1983.

Furthermore, the proportion of the poor who fall into the "poorest of the poor" category -- those with incomes below *half* the poverty line (or $5,600 for a family of four) reached its highest level in more than a decade. Some 39.2 percent of all people who were poor in 1986 (or 12.7 million people) had incomes below half the poverty line.

"What the data show," Greenstein noted, "is that while the number and percentage of Americans who are poor went down slightly in 1986, those who are poor were thrust deeper into poverty. Some basic poverty indicators improved a bit, but others worsened. This cannot be characterized as significant progress in reducing poverty."

Widening Gap Between Rich and Poor

Among the most striking data in the Census report are those showing that the gap between rich and poor -- and also between the rich and the middle class -- hit its widest point in at least 40 years. The gaps between both rich and poor families and between rich and middle class families are now wider than at any point since the Census Bureau began collecting these data in 1947.*

The Census data show that in 1986, the wealthiest 20 percent of American families received 43.7 percent of the national family income, the highest percentage ever recorded. At the same time, the poorest 40 percent of American families received 15.4 percent of the national family income, the lowest percentage ever recorded.

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*The analysis of gaps between rich and poor takes into account revisions in Census Bureau methodology during this period.

In addition, the 20 percent of American families right in the middle of the income spectrum received their lowest share of national family income (16.8 percent) recorded since 1947.

The data show that the wealthiest fifth of all families had about $40 billion more in income last year than it would have had if its share of the national income simply remained the same as in 1980. Correspondingly, the other four-fifths of all American families had about $40 billion less in income last year than they would have had if they received the same proportion of national income as in 1980.

The data further show that the typical family in the bottom 40 percent of all families had just $199 more in income last year than in 1980, after adjusting for inflation, and $918 less than in 1979. But the typical family in the top 40 percent of the population had $4,418 more in income than in 1980 and $2,775 more than in 1979, while the typical family in the richest 10 percent of the population had $10,339 more in income than in 1980 and $6,369 more than in 1979.

The Working Poor

Another trend illuminated by the new Census data is the increase in the proportion of the poor who work. Some 41.5 percent of all poor people aged 15 and over worked last year, equal to the highest percentage since 1968.

Overall, 8.9 million Americans worked but fell into poverty last year, as compared to 6.6 million 10 year earlier. Some two million worked full-time year-round but were poor, an increase of nearly 50 percent from the 1.36 million level a decade ago.

These large increases in the working poor population stem from such factors as the general wage stagnation in the U.S. economy and budget cuts that fell disproportionately on low income working families. Median weekly wages for full-time workers were lower in 1986 than in any year in the 1970's (although they were higher than in 1985). In addition, a four-person family with a member working full-time year-round at the minimum wage fell $4,235 below the poverty line in 1986, while a three-person family with a full-time minimum wage worker fell $1,769 below the poverty line. In contrast, throughout most of the 1960's and 1970's, full-time minimum wage earnings were sufficient to lift a family of three to the poverty line. The minimum wage has not been increased since January 1981, while inflation has risen 31 percent since then.

Children

While poverty among children edged downward slightly from 1985 to 1986 (from 20.7 percent to 20.5 percent), it remains far above the levels of the 1970's. (These figures represent poverty rates for *all* children under 18. The Census data include both these figures and figures for *related* children under 18 *living in families*, which are also sometimes used. Some 19.8 percent of related children

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under 18 living in families were poor in 1986; the figure for 1985 was 20.1 percent.)

The Elderly

The poverty rate for the elderly (age 65 and above) was 12.4 percent in 1986, the same level as in 1984 and marginally below the 12.6 percent of 1985. The elderly poverty rate now appears to be on a plateau, although this plateau is at a level well below the elderly poverty rates of previous decades.

Minorities

Poverty rates remain far higher for minorities than for the general population. While the poverty rate for white Americans was 11.0 in 1986, it was 31.1 percent for blacks and 27.3 percent for Hispanics.

The 1986 black poverty rate ticked down slightly from the year before (when it stood at 31.3 percent). However, the number of blacks living in poverty increased, rising by some 57,000 people, from 8,926,000 to 8,983,000. In addition, those black families who are poor appear on average to have grown poorer (a development which also occurred for the poverty population as a whole). The number of blacks living in households with incomes below *half* of the poverty line jumped by 385,000 to 4.3 million people, while the percentage of blacks with income this low rose from 13.9 percent in 1985 to 15 percent in 1986. Moreover, in 1986, 14 percent of black families had incomes below $5,000. In no other year since 1970, except for the high unemployment years of 1982 and 1983, have so large a proportion of black families had incomes below the $5,000 threshold. (Family incomes for all years are measured, for purposes of the comparison, in constant 1986 dollars).

The Hispanic poverty rate showed a more significant decline, receding from the 29.0 percent level it attained the year before. The number of poor Hispanics dipped from 5.2 million to 5.1 million. However, these changes from 1985 to 1986 mask the longer-term trend in which Hispanic poverty rates have been rising (and the black and Hispanic poverty rates have been converging). The black poverty rate is now at the same level as in 1979, while the Hispanic poverty rate is far above 1979 levels (when it stood at 21.8 percent) and has not fallen much since the recession of the early 1980's.

Poverty rates remain particularly high for both black and Hispanic children. Forty-three percent of all black children and 37.4 percent of all Hispanic children were poor last year. In addition, 67.1 percent of black children living in female-headed households were poor, while 66.7 percent of Hispanic children living in female-headed families were poor.

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Non-Cash Benefits

Finally, the new Census data also measure poverty if non-cash benefits are counted as income. Two points should be noted about the non-cash measures:

- Poverty has risen much faster in recent years under poverty measures that include the value of non-cash benefits than under the official measure of poverty.

  From 1979 (the first year for which the non-cash data are available) to 1986, the number of poor people rose 24.2 percent under the official definition of poverty but it rose by 33.6 percent to 36.1 percent under the Census Bureau's four alternative measures of poverty that include the value of non-cash benefits. Poverty rates have also risen at a much faster pace under the non-cash poverty measures. These data indicate that cuts in many non-cash benefit programs and the failure of some of these programs to keep up with inflation have resulted in the non-cash programs' lifting fewer people out of poverty than in the late 1970's.

- While the non-cash poverty measures are useful in providing consistent measures of poverty trends since 1979, the measures are of questionable value in determining the number of people who are poor. As the Census Bureau report acknowledges, a conference of experts convened by the Census Bureau in December 1985 concluded that all of the Census Bureau's non-cash poverty measures "have serious flaws and should be substantially modified." The General Accounting Office has stated: "[There are] a number of areas in which the procedures used for each valuation technique may be subject to technical errors and may have a distorting influence on poverty indicators and thresholds. These errors could affect the poverty classification ... of large numbers of individuals and families."

  For example, under the non-cash measure of poverty that produces the lowest poverty rate (the "market value" measure which includes food, housing, and medical benefits), such a high value is given to Medicare and Medicaid coverage that in the *average* state, *all* elderly individuals enrolled in these programs are considered to be above the poverty line if they have just $38 a week for food, housing, clothing, and all other necessities. Elderly couples with Medicare and Medicaid in the average state are considered to be above the poverty line if they have only $1.80 a week on which to live.

  As the Census Bureau's report notes, "Most participants [at the experts conference it convened] agreed that the poverty thresholds would have to be changed [and presumably raised] if the value of medical care were to be included in the income definition." The two non-cash

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measures released today that show the lowest poverty levels count the value of medical benefits *without* changing the poverty thresholds.

Moreover, Census' conference of experts also concluded that if non-cash benefits are counted as income in determining the number of people living in poverty, then the poverty count should be based on household earnings *after* taxes, rather than on pre-tax income as is now done. If non-cash benefits are included because they increase household purchasing power and disposable income, the experts said, then taxes that are withheld from income and reduce purchasing power and disposable income must be subtracted.

However, all Census non-cash measures released today count non-cash benefits without subtracting taxes. Earlier Census estimates indicate that if after-tax rather than pre-tax earnings were used, the number of people in poverty would increase by more than two million people.

If the two non-cash poverty measures that do not include medical benefits are used, but after-tax rather than pre-tax income were counted, the numbers of people in poverty and the poverty rates would be close to the figures under the official definition of poverty.

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See attached tables and charts.

POVERTY DATA: 1977, 1980 and 1986

	1977	1980	1986
Unemployment Rate	7.1%	7.1%	7.0%
Poverty Rate			
All Persons	11.6%	13.0%	13.6%
White	8.9%	10.2%	11.0%
Black	31.3%	32.5%	31.1%
Hispanic	22.4%	25.7%	27.3%
Child Poverty Rate *			
All Children	16.2%	18.3%	20.5%
White	11.6%	13.9%	16.1%
Black	41.8%	42.3%	43.1%
Hispanic	28.3%	33.2%	37.7%
Number of persons In Poverty	24,720,000	29,720,000	32,370,000
Number of Children In Poverty *	10,228,000	11,543,000	12,876,000

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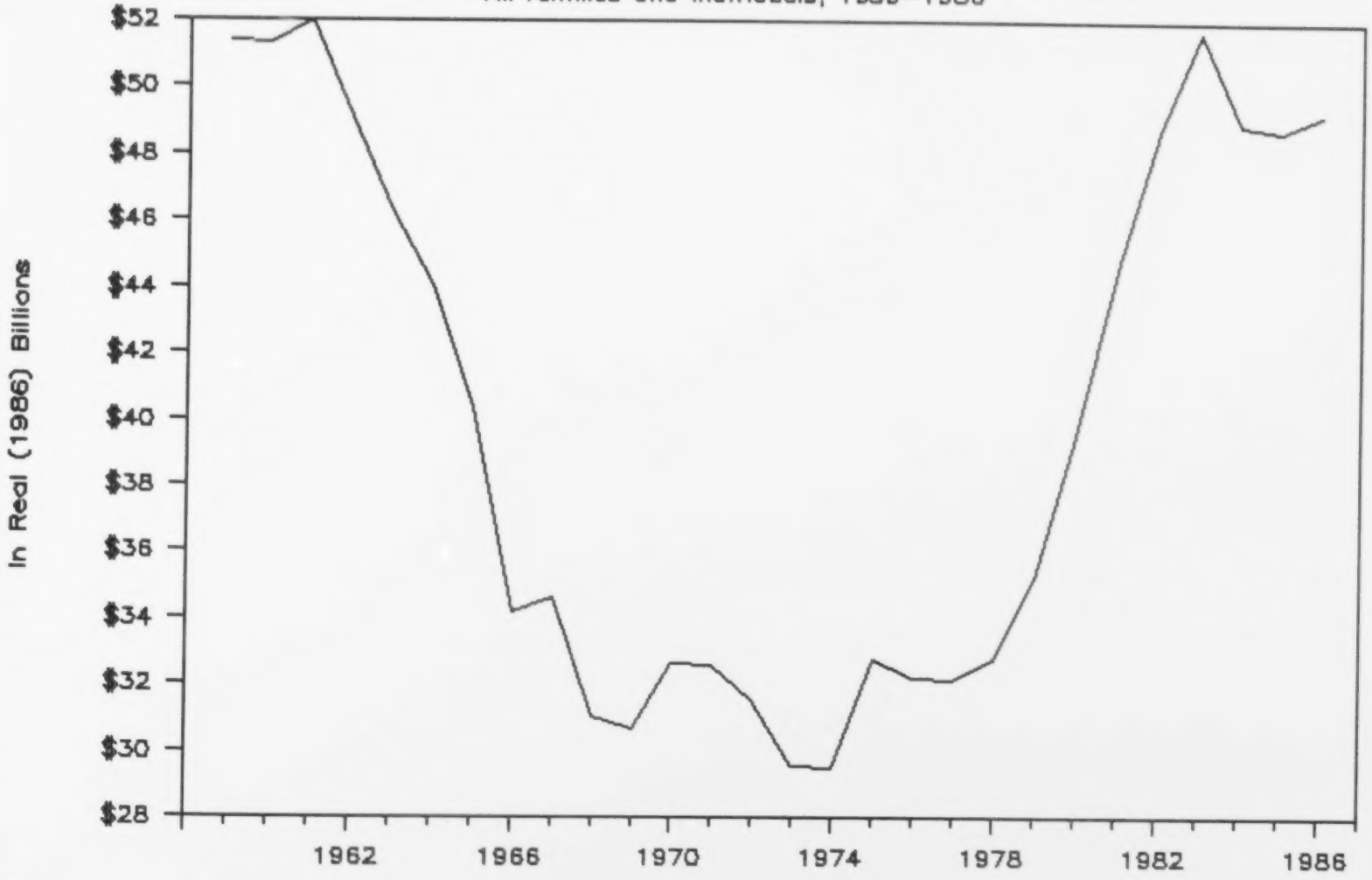
* For All Children Under 18

Poverty Gap

All families and individuals, 1959–1986



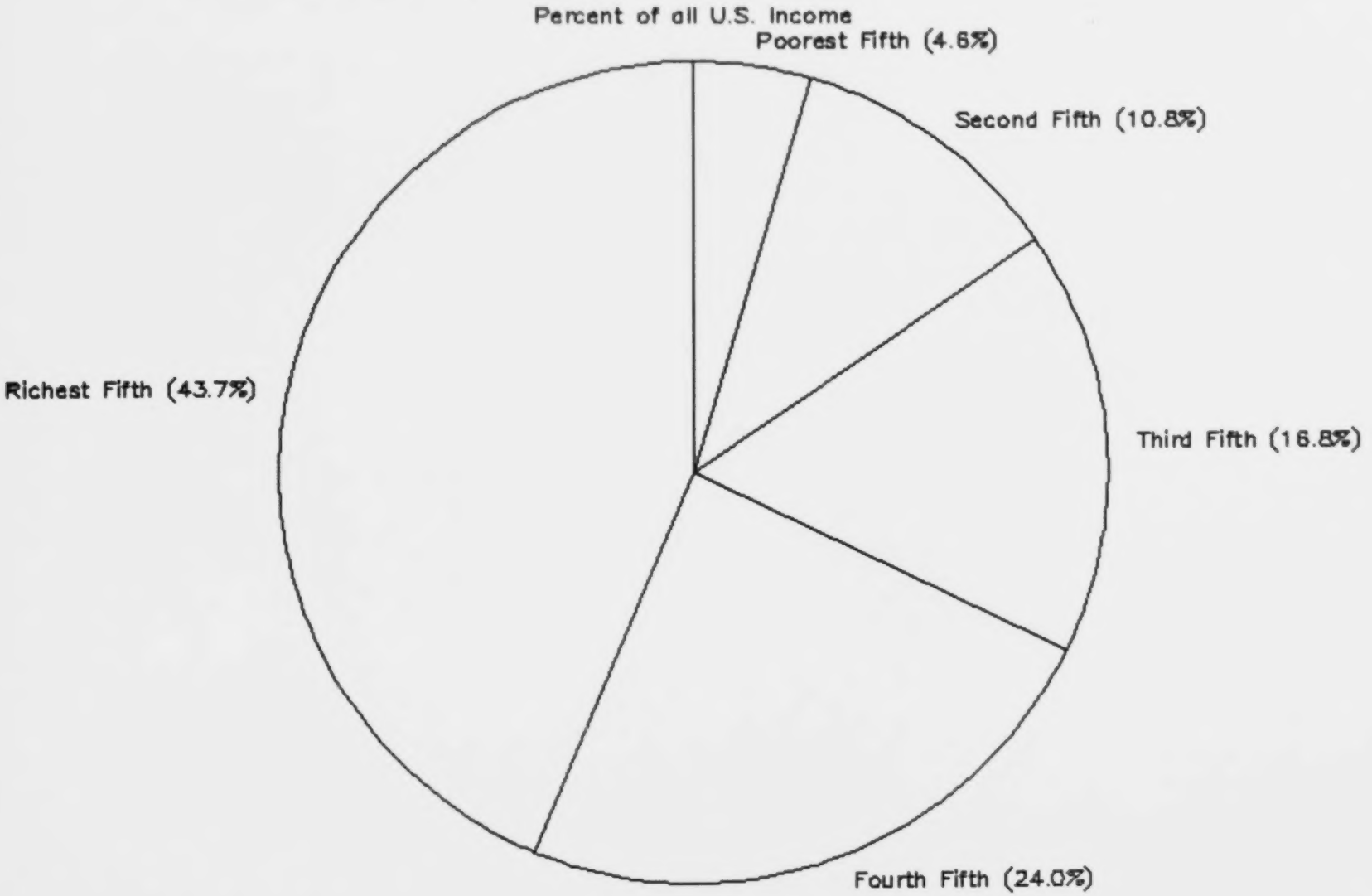
INCOME DISTRIBUTION OF AMERICAN FAMILIES IN 1986

Population Category	Percentage of Total National Family Income Received
Poorest two-fifths	15.4%
Poorest three-fifths of all families	32.8
Wealthiest two-fifths of all families	67.7

Population Category	Percentage of Total National Family Income Received
Poorest fifth	4.6%
Second fifth	10.8
Middle fifth	16.8
Fourth fifth	24.0
Wealthiest fifth	43.7
Wealthiest 5 percent	17.0

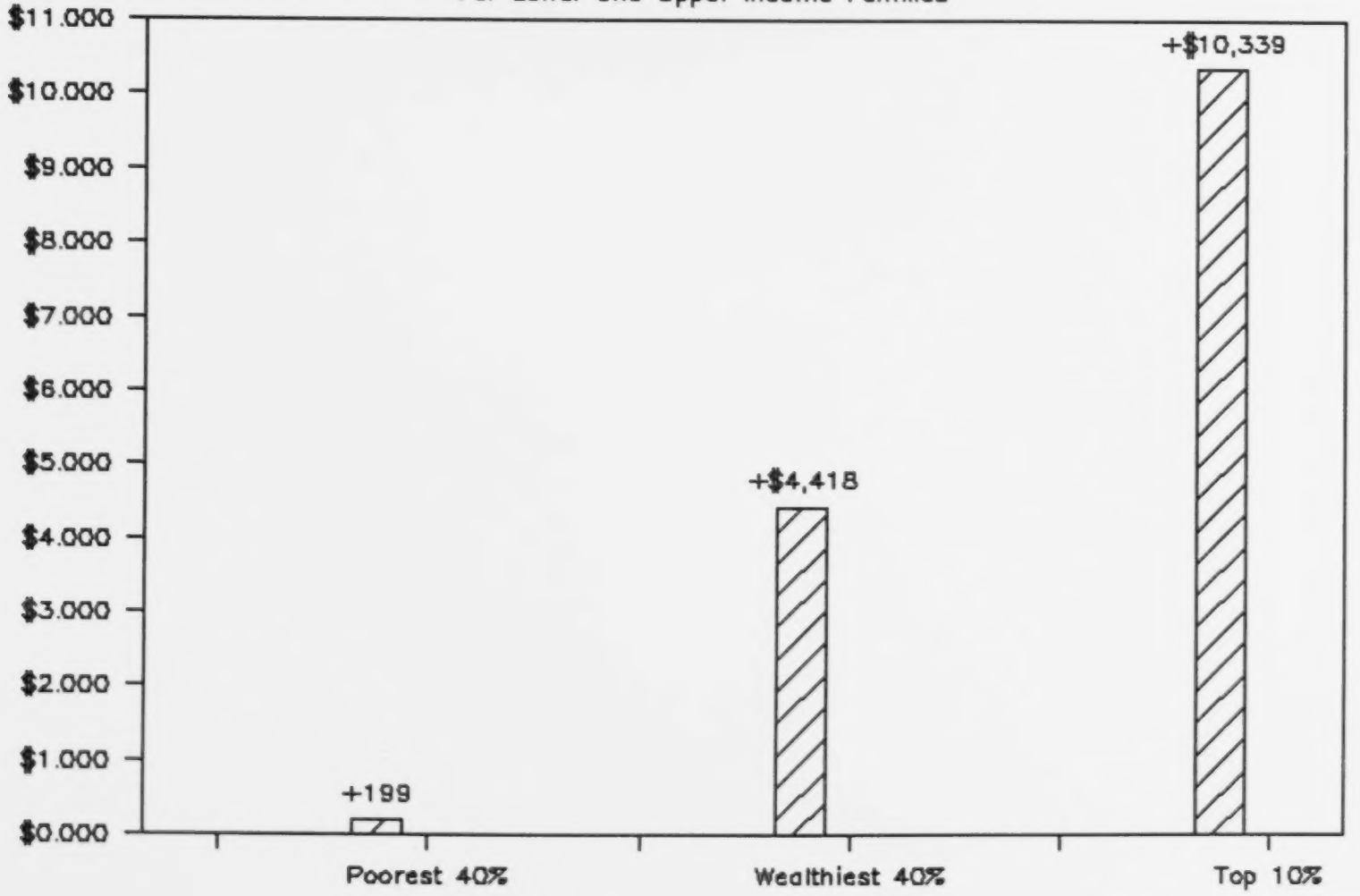
Source: U.S. Census Bureau, *Money Income and Poverty Status of Families and Persons in the United States: 1986*, July 1987.

Distribution of Family Income: 1986



Change in Median Income, From 1980–1986

For Lower and Upper Income Families



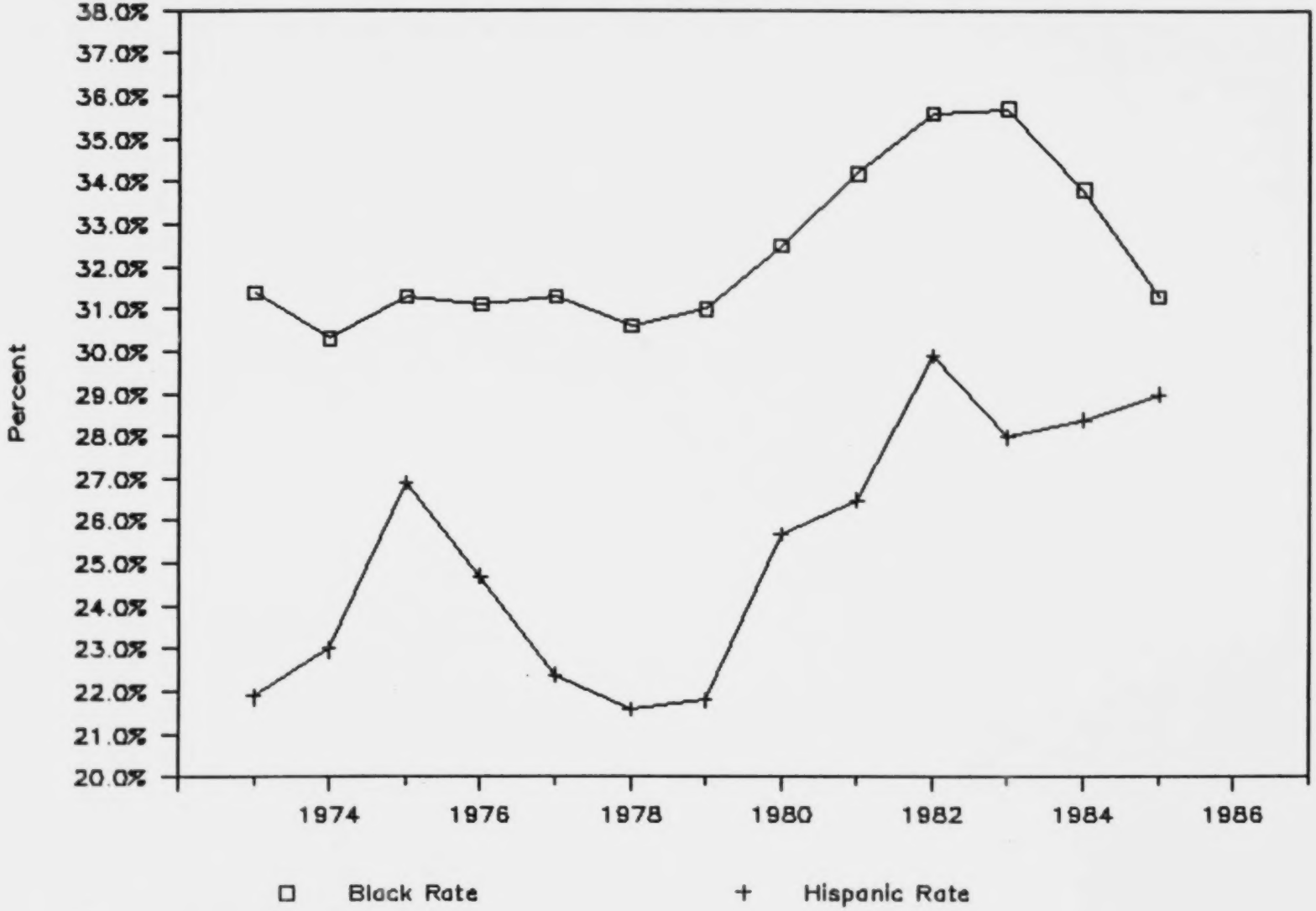
MEDIAN INCOMES OF RICH AND POOR FAMILIES
(constant 1986 dollars)

Year	Median Family Income		
	Bottom 40%	Top 40%	Top 10%
1986			
1985	13,446	48,924	79,201
1984	13,184	47,819	77,302
1983	13,953	46,223	74,925
1982	12,723	45,428	72,700
1981	13,163	45,157	70,592
1980	13,687	45,952	71,934

Source: U.S. Census Bureau, "Money Income and Poverty Status of Families and Persons in the United States," 1985 report, p. 11.
U.S. Census Bureau, "Money Income of Households, Families, and Persons in the United States: 1984," p. 37.

Black and Hispanic Poverty Rates

1973–1986



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GAP BETWEEN RICH AND POOR WIDEST EVER RECORDED

POOR GROW POORER

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Highlights of Poverty Analysis

- The number and percentage of Americans who are poor declined slightly last year, but those who are poor became poorer. Overall, the new poverty data for 1986 are mixed -- some measures of poverty improved slightly while other measures worsened slightly.

- The poverty rate declined from 14.0 percent to 13.6 percent, and the number of Americans below the poverty line ($11,203 for a family of four in 1986) dipped from 33.1 million to 32.4 million. However, this reduction in poverty rates remains disappointing -- poverty rates have *not* followed unemployment rates back to the levels of earlier years. The unemployment rate in 1986 (7.0 percent) was at about the same level as in 1977 and 1980 (when it was 7.1 percent). But the 1986 poverty rate is significantly higher than the poverty rate for both of these years. In addition, three million more Americans were poor in 1986 than in 1980. Nearly eight million more were poor than in 1977.

- While poverty rates declined slightly in 1986, the "poverty gap" -- the amount by which the incomes of those who are poor fall below the poverty line -- actually increased and is now larger than in any year since 1961, except for the high unemployment year of 1983.

- The average poor family had income $4,394 below the poverty line in 1986. This is further below the poverty line than in any year since 1963, except for the recession/high unemployment years of 1982 and 1983.

- The proportion of the poor who fall into the "poorest of the poor" category -- those with incomes below half the poverty line ($5,600 for a family of four) reached its highest level in more than a decade. Some 39.2 percent of all people who were poor in 1986 (or 12.7 million people) lived in households that had incomes below half the poverty line.

- The gap between rich and poor families reached its widest point in the 40 years since the Census Bureau began collecting these data in 1947.

- The wealthiest 20 percent of families received 43.7 percent of the national family income, the highest percentage ever recorded. The poorest 40 percent of families received 15.4 percent of national family income, the lowest percentage ever recorded. The 20 percent of families right in the middle of the income spectrum also received the lowest share of national family income (16.8 percent) ever recorded.

- The typical family in the bottom 40 percent of the population had just $199 more in income in 1986 than in 1980 (after adjusting for inflation) and $918 less than in 1979. But the typical family in the top 40 percent had $4,418 more in 1980 and $2,775 more than in 1979, while the typical family in the richest 10 percent had $10,339 more in income than in 1980 and $6,369 more than in 1979.

- Some 41.5 percent of all poor people aged 15 and over worked in 1986, equal to the highest percentage since 1968. There were 8.9 million working poor people last year, up from 6.6 million a decade earlier.

- Poverty rates remain far higher for blacks than for the population as a whole. Some 31.1 percent of black Americans were poor in 1986, a marginal change from the 31.3 percent black poverty rate for 1985 and well above the 11.0 percent rate for white Americans. At the same time, the number of blacks who are poor rose by 57,000 people, from 8,926,000 blacks living below the poverty line in 1985 to 8,983,000 in 1986. Some 43 percent of all black children were poor in 1986, and 67.1 percent of black children living in female-headed families were poor.

- Those black families who are poor appear on average to have grown poorer. The number of blacks living in households with incomes below *half* the poverty line jumped by 385,000 to 4.3 million people, while the percentage of blacks with incomes this low rose from 13.9 percent in 1985 to 15 percent in 1986. Moreover, some 14 percent of all black families in 1986 had incomes below $5,000 -- a larger percentage of black families with incomes this low than for any year since 1970, except for the high unemployment years of 1982 and 1983 (when this figure also stood at 14 percent).

- Hispanic poverty rates declined from 29.0 percent in 1985 to 27.3 percent in 1986. The number of poor Hispanics edged down from 5.2 million to 5.1 million. However, Hispanic poverty rates have improved less since the recession of the early 1980's than have black or white poverty rates and remain quite high by historical standards. In 1986, some 37.4 percent of all Hispanic children were poor, and 66.7 percent of Hispanic children in female-headed families were poor.

- Poverty rates for children and the elderly did not change much. The poverty rate for all children moved from 20.7 percent in 1985 to 20.5 percent in 1986, still substantially above the levels of the 1970's. The elderly poverty rate stood at 12.4 percent in 1986, as compared to 12.6 percent in 1985; elderly poverty levels are substantially below those of previous decades.

- Since 1979, the first year for which the Census Bureau measured poverty under alternative definitions of poverty that include the value of non-cash benefits, poverty has risen much more rapidly under *all* the non-cash measures of poverty than under the official measure. This indicates that due to reductions in non-cash benefits, these programs now lift fewer persons out of poverty.

- There are serious problems with the non-cash poverty measures. For example, under the non-cash measure providing the lowest poverty rate, such a high value is placed on Medicare and Medicaid that all elderly couples in the average state with just $1.80 a week to live on are considered to be above the poverty line if they have Medicare and Medicaid coverage.

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AFTER-TAX INCOME OF FEMALE-HEADED HOUSEHOLDS LOWER IN 1985 THAN IN 1980, AS GAP WIDENS BETWEEN RICH AND POOR AMERICANS

Despite three full years of economic recovery and the major federal tax cut bill of 1981, the typical female-headed household with children had less after-tax income in 1985 than in 1980, according to an analysis by the Center on Budget and Policy Priorities of just released U.S. Census Bureau data.*

The data from the Census report, "Household After-Tax Income: 1985", show that the typical (median) female-headed household had $10,309 in income after taxes in 1985, some $550 less than in 1980, after adjusting for inflation.

The Census data show that the typical Hispanic family also fared poorly, having $300 less in after-tax income in 1985 than in 1980.

The Center's analysis finds that the after-tax incomes for female-headed households in the 1980s started lower and dropped faster than for other groups in the same period.

- In 1980, the after-tax income of the typical female-headed household with children was only 57.2 percent of the income of the typical U.S. household for that year and was $1,385 less than the income of the second-lowest group, black households.

- By 1985, however, the typical female-headed household had fallen even further behind, with only 53.1 percent of the income of the typical U.S. household, and was $2,353 poorer than the typical black family.

- In addition, between 1980 and 1985, the income of the typical female-headed household with children fell from 43.4 percent of the income of the typical married household with children to 39.9 percent. The income gap between the typical female-headed household and the typical married household grew by more than $1,300.

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* Data for "female-headed households" in the Census report refer to households with related children under age 18, headed by one woman with no husband present.

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- In percentage terms, the typical female-headed household received a full five percent less in income in 1985 than in 1980 -- the steepest decline experienced by any group between those years.

In contrast to female-headed households, several other groups showed a gain. The typical white household had $445 more in after-tax income in 1985 than in 1980, after adjusting for inflation. The typical black household also gained, with $419 more after-tax income than in 1980. In addition, the typical married couple with children gained $784 between 1980 and 1985.

The only other group to lose ground during this period was Hispanic households. The typical Hispanic household had $306 less in after-tax income in 1985 than in 1980.

The Center's analysis also shows that between 1980 and 1985, the gap widened between the wealthy and all others in the U.S., with those with low incomes hardest hit. In addition, tax burdens on poor households rose substantially from 1980 to 1985, while falling for higher income groups.

"Relatively few female-headed households are classified as wealthy, and a highly disproportionate number are in lower income brackets," said Center Director Robert Greenstein. "These factors appear to have contributed to the deteriorating economic situation of households headed by women."

Gap Widening Between Wealthy and Poor Americans

The Center's analysis of the Census data finds that the gap in after-tax income between the richest 20 percent of American households and the rest of the nation hit its widest point in 1985. The top fifth of U.S. households received 42.3 percent of all after-tax family income in the country in that year, matching the level for 1984 and surpassing the level for all previous years since the Census Bureau began collecting these data in 1980.

Meanwhile, the poorest fifth received only 4.6 percent of all after-tax income in 1985 -- the lowest level the Census Bureau has recorded. Consequently, the gap between the after-tax income of the rich and of the poor grew to its widest extent for the 1980-to-1985 period.

The gains of the wealthiest fifth of U.S households came not only at the expense of poor households but of middle income households as well. The middle fifth of all U.S. households received 17.3 percent of the national income in 1985, down from 17.9 percent in 1980. The next-to-the-bottom fifth received 11.0 percent, down from 11.6 percent in 1980.

The Census data show that since 1980, the share of national after-tax income has dropped for households in every income fifth except for those in the top fifth. If the shares of national income had remained the same in 1985 as

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they were in 1980, the top fifth would have received $34.1 billion less in income in 1985, which would have been divided instead among all other income groups.

If national income distribution had not changed since 1980, the poorest fifth -- those households with incomes of less than $8,925 in 1985 -- would have received some $6 billion more in income. Households in the middle fifth -- those with incomes between $15,868 and $23,257 -- would also have received $12 billion more.

"Our analysis shows that even small changes in the distribution of income involve shifts of billions of dollars," Greenstein said. "A transfer of more than $34 billion dollars from the bottom 80 percent of households to the top 20 percent is a shift of considerable significance. And for households earning less than $8,925 -- which is more than $2,000 below the poverty level for a family of four -- the loss of $6 billion is a significant burden."

These data provide evidence that neither the gains of the current economic recovery nor the benefits from the Reagan Administration's 1981 tax bill have been evenly distributed, according to the Center's analysis.

"Low and moderate income households -- and especially female-headed households -- have failed to receive a proportionate share of the benefits," Greenstein said.

Tax Burdens on Poorest Households Rise

The analysis also finds a large increase in the tax burdens of the poorest households, those with annual incomes below $10,000 a year, which is only slightly below the typical income of a female-headed household in 1985.

In 1980, these households were paying an average of 9.1 percent of their incomes in federal and state income taxes, federal payroll taxes, and local property taxes. By 1985, they were paying 10.8 percent of income in these taxes -- an increase of nearly 19 percent in their tax burdens. During the same period, the tax burdens of higher income groups declined, in some cases markedly.

According to the Center's analysis, the combination of increasing tax burdens on the poor coupled with reduced tax burdens on higher income groups is one of the factors that has widened gaps between rich and poor and has been disadvantageous to groups that have many more low income households than high income households. Some 46 percent of female-headed households had incomes below $10,000 in 1985, compared to 20 percent of all households and only seven percent of two-parent family households.

While some of the increased tax burdens of low income households are due

to higher federal tax burdens during this period, a large part of the increase is due to greater tax burdens from state and local taxes, Greenstein noted.

Half of the increased tax burden on low-income households during the 1980 to 1985 period occurred just from 1984 to 1985 -- and the Census Bureau has reported that most of this was due to higher property taxes on low income households rather than to increased federal income taxes.

As a result, Greenstein said, the Federal Tax Reform Act of 1986, which removes most poor households from the federal income tax rolls, is not likely to be sufficient to address the increased tax burdens borne by low income households. Reforms at state and local levels to make tax systems less regressive and reduce tax burdens on poor households will also be needed.

Greenstein noted that several states have taken action in recent months to provide tax relief to their low income citizens and lessen the regressivity of their taxes, but that most state tax systems remain regressive.

The Center on Budget and Policy Priorities is an independent, non-profit research organization in Washington, D.C., specializing in analyses of public policy issues with an impact on low and moderate income Americans.

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See attached tables.

Table 1

Median After-Tax Household Income
(constant 1985 dollars)

Type of Household	1980	1981	1982	1983	1984	1985	percent change: 1980 - 1985
All	18,996	18,360	18,398	18,686	19,191	19,401	2.1%
White	19,805	19,175	19,187	19,540	20,061	20,250	2.2%
Black	12,243	11,567	11,730	11,830	12,092	12,662	3.4%
Hispanic	15,328	15,299	14,578	14,820	15,118	15,022	-2.0%
Families	22,348	21,601	21,456	21,999	22,629	22,916	2.5%
Married*	25,024	24,184	23,934	24,439	25,422	25,808	3.1%
Female head*	10,858	10,396	9,946	9,840	10,259	10,309	-5.1%

* - with children under age 18.

Source: U.S. Department of Commerce, Bureau of the Census, "Household After-Tax Income," reports for 1980-85.

Table 2

Household After-Tax Income Distribution by Fifths (constant 1985 dollars)

	1980	1981	1982	1983	1984	1985*
POOREST FIFTH						
starts at:	$0	$0	$0	$0	$0	$0
income share:	4.9%	4.9%	4.7%	4.7%	4.7%	4.6%
SECOND FIFTH						
starts at:	$8,962	$8,722	$8,579	$8,747	$8,887	$8,925
income share:	11.6%	11.5%	11.2%	11.1%	11.0%	11.0%
THIRD FIFTH						
starts at:	$15,603	$14,997	$15,087	$15,266	$15,639	$15,868
income share:	17.9%	17.8%	17.5%	17.3%	17.2%	17.3%
FOURTH FIFTH						
starts at:	$22,423	$21,733	$21,840	$22,305	$22,963	$23,258
income share:	25.1%	25.0%	24.8%	24.8%	24.8%	24.9%
RICHEST FIFTH						
starts at:	$31,353	$30,620	$31,201	$32,137	$33,217	$33,596
income share:	40.6%	40.9%	41.8%	42.0%	42.3%	42.3%

Source: U.S. Department of Commerce, Bureau of the Census, "Household After-Tax Income: 1985," Series P-23, No. 151.

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* In the 1985 After-Tax Income report the Census Bureau provides two sets of figures showing the after-tax income distribution of Americans by income fifths. One set of numbers was calculated under the methodology used by the Bureau in its past reports and is comparable to data for previous years (1980 - 1984). The second set was calculated using a revised methodology and was designed to more accurately record the incomes of the very wealthy but is not strictly comparable with data for previous years.

  The numbers shown here were calculated using the old method and are the appropriate figures for comparisons with data for 1980 to 1984. If the revised methodology is used, the gap in income distribution between rich and poor is even wider. After-tax income shares for American households broken down by fifths under the new methodology are: 4.6 percent for the poorest fifth of households, 11.0 percent for the second fifth, 17.2 percent for the third, 24.7 percent for the fourth, and 42.6 percent for the top fifth of households.

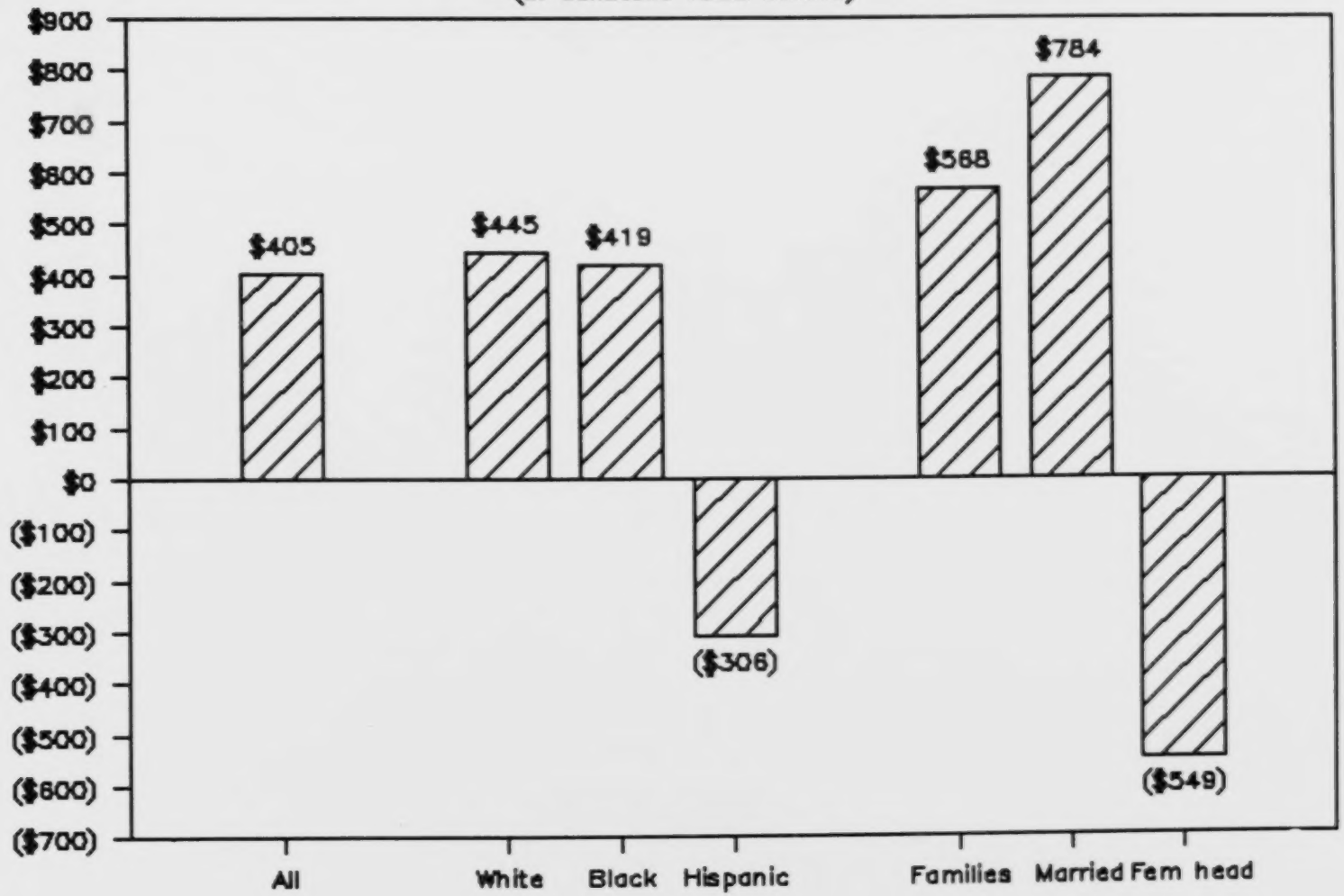

Figure 1
Change in Median After-Tax Income

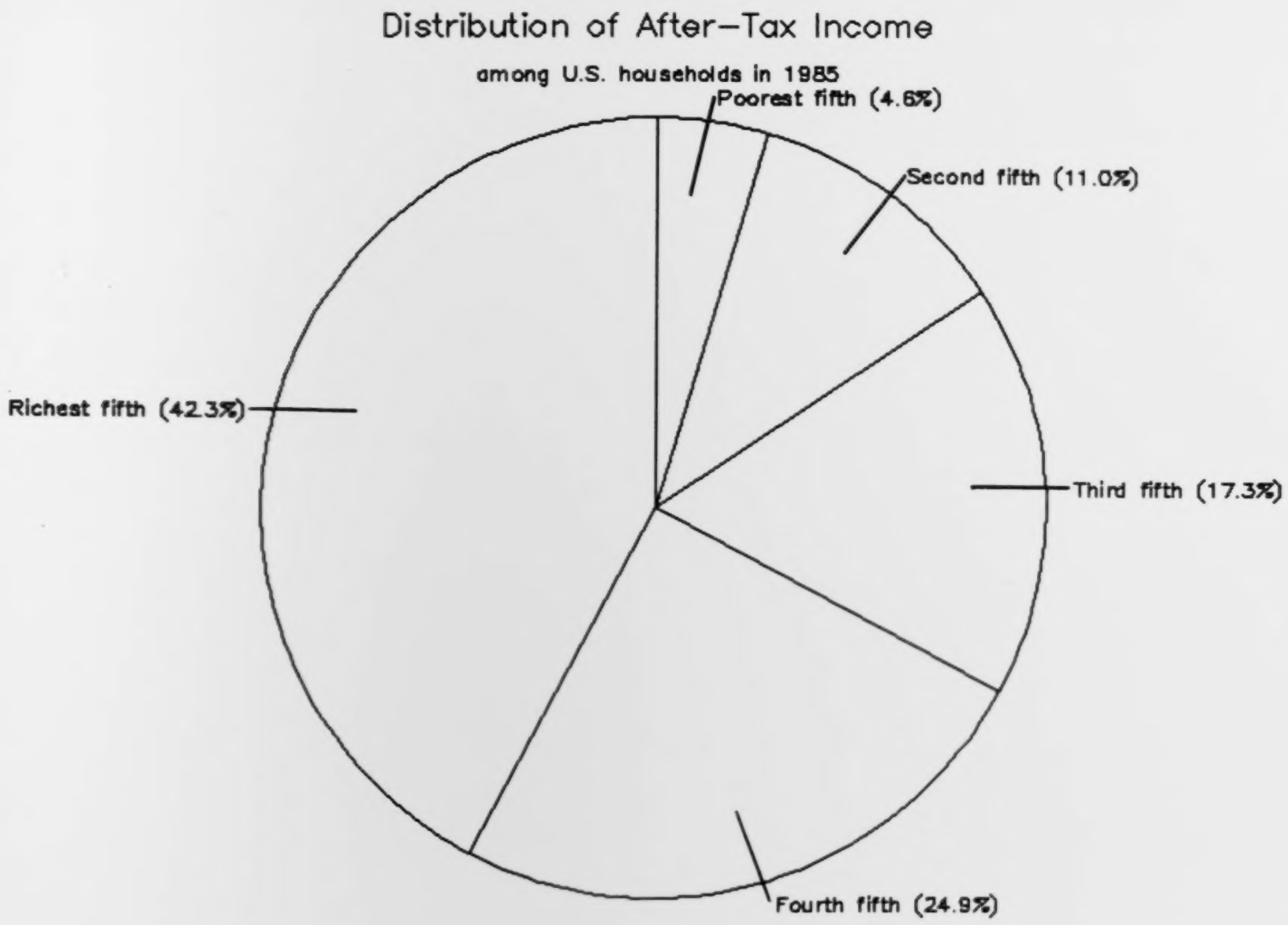
Distribution of After-Tax Income
among U.S. households in 1985
Poorest fifth (4.6%)
Second fifth (11.0%)
Richest fifth (42.3%)
Third fifth (17.3%)
Fourth fifth (24.9%)

Figure 2